

**WATER QUALITY, SUPPLY AND SAFE DRINKING
WATER PROJECTS. COASTAL WETLANDS PURCHASE
AND PROTECTION. BONDS. INITIATIVE STATUTE.**

Prepared by the Attorney General

OFFICIAL TITLE AND SUMMARY

WATER QUALITY, SUPPLY AND SAFE DRINKING WATER PROJECTS. COASTAL WETLANDS PURCHASE AND PROTECTION. BONDS. INITIATIVE STATUTE.

- Authorizes \$3,440,000,000 general obligation bonds to fund a variety of water projects, including:
 - Specified CALFED Bay-Delta Program projects including urban and agricultural water use efficiency projects;
 - Grants and loans to reduce Colorado River water use;
 - Purchasing, protecting and restoring coastal wetlands near urban areas;
 - Competitive grants for water management and quality improvement projects;
 - Development of river parkways;
 - Improved security for state, local and regional water systems;
 - Grants for desalination and drinking water disinfection.
- Appropriates money from state General Fund to pay off bonds.

SUMMARY OF LEGISLATIVE ANALYST'S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:

- State cost of up to \$6.9 billion over 30 years to pay off both the principal (\$3.44 billion) and interest (\$3.46 billion) costs on the bonds. Payments of about \$230 million per year.
- Reduction in local property tax revenues, ranging from a few million dollars to roughly \$10 million annually, about one-half of which would be offset by state payments to schools to make up their revenue loss.
- Unknown costs to state and local governments to operate or maintain properties or projects purchased or developed with these bond funds.

ANALYSIS BY THE LEGISLATIVE ANALYST

BACKGROUND

Coastal Protection and Water Resources Programs. The state administers a number of programs to acquire and protect coastal wetlands and watersheds, conserve and protect water resources, and develop and improve the reliability of water supplies. The state also provides grants and loans to local agencies and nonprofit organizations for similar purposes. These programs are for a variety of specific purposes, including:

- **Coastal Wetlands and Watersheds.** The state has provided funds to acquire and restore coastal wetlands and watersheds.
- **Safe Drinking Water.** The state has provided funds for loans and grants to public water systems for facility improvements to meet safe drinking water standards.

- **Bay-Delta Restoration.** The state has also funded the restoration and improvement of fish and wildlife habitat in the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (the Bay-Delta). Additionally, the state has funded water quality and supply projects in the Bay-Delta region which supplies a substantial portion of the water used in the state for domestic, industrial, agricultural, and environmental purposes. These funds have been provided through the CALFED Bay-Delta Program which is a joint state and federal effort to better manage water resources in this region.
- **Other Water Quality and Water Supply Projects.** The state has also provided funds for various other projects throughout the state that improve water quality and/or supply. For example, the state has provided loans and

ANALYSIS BY THE LEGISLATIVE ANALYST (CONT.)

grants to local agencies for the construction and implementation of wastewater treatment, water recycling, and water conservation projects and facilities. Also, the state has provided funds to line canals to conserve Colorado River water.

Funding for Coastal Protection and Water Resources Programs. Funding for these programs has come from various sources, including the state General Fund, federal funds, and general obligation bonds. Since 1990, voters have approved about \$3 billion in bonds that are primarily for water-related purposes. It is estimated that about \$1.9 billion of the bonds authorized by these previous bond acts will have been spent or committed to specific projects as of June 2002, leaving a balance of about \$1.1 billion for future projects. In addition, in March 2002, voters approved a \$2.6 billion resources bond measure. A majority of the funds from that bond are for park-related projects, although some funds are available for water conservation and water quality projects.

PROPOSAL

This measure allows the state to sell \$3.44 billion in general obligation bonds for various water-related programs. Figure 1 summarizes the purposes for which the bond money would be available for expenditure by various state agencies and for loans and grants to local agencies and nonprofit associations. It shows that more than half of the funds would be allocated to two purposes—coastal protection and the CALFED Bay-Delta Program.

FISCAL EFFECTS

Bond Costs. The cost of these bonds would depend on their interest rates and the time period over which they are repaid. If the bonds were sold at an interest rate of 5.25 percent (the current rate for this type of bond) and repaid over 30 years, the cost would be about \$6.9 billion to pay off both the principal (\$3.44 billion) and interest (\$3.46 billion). The average payment would be about \$230 million per year.

However, total costs to the state will be somewhat less. This is because the measure requires that loans made for coastal nonpoint source pollution control (up to \$100 million) be repaid to the General Fund. The repayment of these loans could reduce the General Fund costs by up to \$100 million (not including interest payments) over the life of the bonds.

Property Tax-Related Impacts. The measure provides funds for land acquisition by governments and nonprofit organizations, for various purposes including coastal protection. Under state law, property owned by government entities, and by nonprofit organizations under specified conditions, is exempt from property taxation. To the extent that this measure results in property being exempted from

FIGURE 1

PROPOSITION 50 USES OF BOND FUNDS

(In Millions)	Amount
Coastal Protection	\$950
• Wetlands acquisition, protection, and restoration	750
• Watershed protection	200
CALFED Bay-Delta Program	\$825
• Water use efficiency and conservation	180
• Water supply reliability	180
• Ecosystem restoration	180
• Watershed protection	90
• Water conveyance	75
• Delta levee restoration	70
• Water storage planning and studies	50
Integrated Regional Water Management	\$640
• Various water supply, pollution reduction, water treatment, flood management, and wetlands restoration projects	500
• Land and water acquisitions to improve/protect water quality, water supply reliability, and fish and wildlife habitat	140
Safe Drinking Water	\$435
• Small community drinking water system upgrades, contaminant removal and treatment, water quality monitoring, drinking water source protection	
Clean Water and Water Quality	\$370
• Water pollution prevention, water recycling, water quality improvements	100
• River parkway projects	100
• Coastal nonpoint source pollution control	100
• Lake Tahoe water quality improvements	40
• Land and water acquisitions to protect water quality in the Sierra Nevada-Cascade Mountain Region	30
Desalination and Water Treatment Project	\$100
• Desalination projects, treatment/removal of specified contaminants, drinking water disinfecting projects	
Colorado River Management	\$70
• Ecosystem restoration	50
• Canal lining	20
Water Security	\$50
• Protection of drinking water systems from terrorist attacks and other deliberate acts of destruction or degradation	
Total	\$3,440

taxation due to acquisitions by governments and nonprofit organizations, local governments would receive reduced property tax revenues. We estimate these reduced property tax revenues would range from a few million dollars to roughly \$10 million annually. Because existing law requires the state to make up for any property tax losses experienced by schools, we estimate about one-half of any losses resulting from this change would be offset by the state.

Operational Costs. State and local governments may incur additional costs to operate or maintain a property or project that is purchased or developed with the bond funds. The amount of these additional costs is unknown.



**WATER QUALITY, SUPPLY AND SAFE DRINKING WATER PROJECTS.
COASTAL WETLANDS PURCHASE AND PROTECTION. BONDS. INITIATIVE STATUTE.**

ARGUMENT IN FAVOR OF PROPOSITION 50

YES ON 50. PROTECT OUR DRINKING WATER SUPPLY AND COASTLINE.

Our water supply is threatened by pollution, recurring drought, population growth, and inadequate security.

Proposition 50 will help overcome these threats and provide every California family a safe, reliable supply of clean drinking water by:

- Removing dangerous, cancer causing pollutants from our drinking water.
- Creating new water supplies to keep up with population growth.
- Keeping raw sewage and pollution out of our coastal waters and cleaning up beaches and bays.
- Protecting rivers, lakes and streams and preserving coastal wetlands.
- Protecting our reservoirs, dams, pumping stations and pipelines from terrorist threats and intentional contamination.

YES ON 50 KEEPS OUR WATER FLOWING

California's population is expected to nearly double in the next forty years. Proposition 50 funds state and local water system improvements needed to keep up with population growth by providing new water supplies and supporting water conservation programs.

YES ON 50 KEEPS OUR WATER CLEAN

Proposition 50 funds improved drinking water treatment to remove dangerous cancer causing chemicals, including arsenic, chromium and MTBE from our drinking water.

YES ON 50 KEEPS OUR WATER SAFE

Many of California's reservoirs, dams and pumping stations are protected by little more than a chain link fence. Proposition 50 protects local water delivery systems from terrorist threats and intentional contamination by funding early warning systems, alarms, fences, security systems, testing equipment and upgraded communications systems.

YES ON 50 PROTECTS OUR BEACHES, BAYS AND COASTLINE

Many of California's most beautiful beaches are unsafe for swimming because of pollution and raw sewage. Proposition 50 will fix aging local sewer and storm water systems that dump urban runoff into coastal waters. Proposition 50 also provides for

protection and restoration of coastal wetlands vital to restoring the water quality, fisheries and wildlife of the San Francisco, Santa Monica and San Diego bays and of the coastal waters of the state.

YES ON 50 WILL NOT RAISE TAXES

Proposition 50 will use existing tax revenue where it is needed now—to protect our water supply and ensure safe drinking water for all Californians.

YES ON 50—SUPPORTED BY LOCAL WATER AGENCIES, CONSERVATION GROUPS, BUSINESS AND COMMUNITY GROUPS, INCLUDING:

- Metropolitan Water District of Southern California
- Contra Costa Water District
- East Bay Municipal Utility District
- League for Coastal Protection
- Heal the Bay
- Los Angeles Area Chamber of Commerce
- League of Women Voters of California
- The Nature Conservancy
- Southern California Agricultural Land Foundation
- National Wildlife Federation
- Audubon California
- American River Conservancy
- League to Save Lake Tahoe
- Clean Water Action

YES ON 50—PROTECT CALIFORNIA'S FUTURE:

California's future depends on investment in water supply and security, water quality and safe drinking water projects and on protecting our rivers, lakes, bays and coastal waters from contamination. Proposition 50 provides the funds that local water districts need to serve California's growing population.

Please join our campaign to protect California's water supply and coastline: www.prop50yes.com

BARBARA INATSUGU, *President*

League of Women Voters of California

DAN TAYLOR, *Vice President*

National Audubon Society

MARGUERITE YOUNG, *California Director*

Clean Water Action

REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 50

To say Proposition 50 creates “*new water sources to keep up with population growth*” is an outright lie. Just read Section 79560 of the initiative, it strictly prohibits bond funds from being spent for building new dams or reservoirs.

To say it “*will not raise taxes*” is another lie. Proposition 50 will cost California Taxpayers a total of \$5.7 billion—that's \$227 million each year for the next 25 years. Furthermore, this initiative does nothing to complete the California Water Project sponsored by Gov. Pat Brown to meet our long range water needs.

Millions of acre-feet of water flow down the Sacramento, through the Golden Gate, into the ocean each year. A canal is desperately needed to divert water around the Delta so it can flow down the California Aqueduct to drought stricken areas of our State. Proposition 50 does nothing to address this badly needed source of new water.

Proposition 50 is more about money than water. The proponents solicited various special interests and apparently traded bond monies for campaign cash. It's called *quid pro quo* and under normal circumstances, it's illegal. However, in the arena of initiative politics, it's not illegal. Some of the largest real estate developers in California are big investors in this scheme to extract \$3.44 billion from the taxpayers.

The principals of the San Juan Company put up \$50,000 for the effort at the same time they are trying to get approval to build 14,000 houses in an environmentally sensitive southern Orange County.

EDWARD J. (TED) COSTA, *Chairman*

California Taxpayers Coalition

RICHARD AHERN, *Vice President*

Waste Watchers, Inc.

ARGUMENT AGAINST PROPOSITION 50

It seems like every time we have a general election, someone asks for a few billion dollars for safe drinking water. This time we are being asked to pass the largest water bond in history. A whopping \$5.7 billion—when you consider the principal (\$3.44 billion) and the interest (\$2.24 billion).

In spite of all the water bonds California taxpayers have approved in the last 30 years, our Governor and Legislature have taken no action to develop new water storage facilities. In fact, the construction of dams and reservoirs has been at a virtual standstill for many years in California.

Most of water bond monies California voters have been approving have gone for endless studies of the problem, and to pander to unrealistic environmental demands.

It's time for all good taxpayers to say "no dice" to these bond schemes that do nothing to improve our long range water supply.

Yes, we are fast approaching a big water shortage crisis in California, the likes of which we have never seen before. Proposition 50 provides virtually no money to alleviate that crisis.

We need new dams on the American River at Auburn and on the upper San Joaquin River at Friant. \$3.44 billion will build both of them and provide us with a much needed new water supply.

We need to build the Sites Reservoir in Colusa County, and the Los Banos Grande Reservoir in Merced County to store an additional 6 million acre feet of new water for drought protection and to accommodate all the new construction of the last 30 years. \$3.44 billion would go a long way to build these worthwhile new reservoirs.

All of California desperately needs a diversion channel around the Delta so that excess water that now flows out the Golden

Gate into the ocean can be sent to drought stricken areas of our State. \$3.44 billion would substantially fund that project.

Proposition 50 does nothing to start, or plan for completion of any of the projects listed above.

Proposition 50 has been described as the "stealth bond issue." Proponents are trying to sell it as a clean drinking water initiative. However, all California taxpayers should know it was drafted by a Sacramento lobbyist for several environmental groups and the Metropolitan Water District of Southern California.

Supporters then hired professional signature gatherers and paid as much as \$2.50 a signature to qualify this deceptive initiative for the ballot.

What Proposition 50 really does is dole out bond funds to the pet projects of those environmental groups that paid to put it on the ballot. And, you and your children will have to come up with \$227 million each year for the next 25 years to pay for it.

Recently, a group of 30 taxpayer organizations from around the State met in Convention under the name California Taxpayer's Coalition and voted unanimously to oppose Proposition 50.

Vote no on Proposition 50.

For more information tedcosta@tedcosta.com or peoplesadvocate.org 1-800-501-8222.

ERNIE DYNDA, *President*

United Organizations of Taxpayers

EDWARD J. (TED) COSTA, *CEO*

People's Advocate

TOM C. ROGERS, *Chairman*

Citizens Against Unfair Taxation

REBUTTAL TO ARGUMENT AGAINST PROPOSITION 50

PROP 50 IS NEEDED NOW TO PROVIDE A CLEAN, RELIABLE AND SAFE WATER SUPPLY FOR OUR FAMILIES AND OUR FUTURE.

We've made progress in improving water quality and reliability, but there's a lot more that needs to be done now. Prop 50 supports vitally needed water projects critical to ensuring clean drinking water and a reliable water supply.

Even the small groups opposing Prop 50 agree that OUR LOOMING WATER CRISIS MUST BE RESOLVED. But their approach, coming from people claiming to represent taxpayers, would cost drastically more than Prop 50's cost-effective approach.

PROPOSITION 50 WILL:

- *Keep our drinking water clean* by removing toxic substances and protecting our rivers, lakes and streams.
- *Keep our water flowing* by providing new water supplies, improving local water systems, and supporting water efficiency and conservation programs.
- *Protect our beaches, bays and coastline* by repairing aging sewer and storm water systems.

- *Keep our water system safe and secure* by protecting against terrorist threats and intentional contamination.

"Local water agencies responsible for providing Californians with safe drinking water agree: Prop 50 is vitally needed to provide a reliable supply of clean drinking water."—James Pretti, President of the Board, Contra Costa Water District

"Nothing is more important than secure water supplies. Prop 50 can help avert attacks on and contamination of our drinking water supply."—Lieutenant Ed Gray, President, California Organization of Police and Sheriffs

JOIN public safety groups, public health experts, water agencies, conservation groups, businesses and community groups throughout California in voting YES ON 50.

DAN TERRY, *President*

California Professional Firefighters

BARBARA INATSUGU, *President*

League of Women Voters of California

PHILLIP J. PACE, *Chairman*

Metropolitan Water District of Southern California